

## Message Text

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ACTION H-03

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TO SECSTATE WASHDC 2902

C O N F I D E N T I A L TEHRAN 7688

E.O. 11652: N/A

TAGS: OREP (POWERS, EDWIN), IR

SUBJECT: STAFFDEL POWERS, HOUSE APPROPRIATIONS COMMITTEE: WRAPUP

REF: (A) TEHRAN 7422; (B) STATE 179376

1. SUMMARY. STAFFDEL POWERS MET MONDAY, AUGUST 4, WITH IRANIAN OFFICIALS LISTED REF A AND WITH MR. MOHSEN FARDI, CHIEF, INTERNATIONAL ECONOMICS BUREAU, PLAN AND BUDGET ORGANIZATION. HE LUNCHEDED WITH AMBASSADOR AND DCM WHO BRIEFED HIM ON IRANIAN FOREIGN AND DOMESTIC POLICY. END SUMMARY.

2. STAFFDEL POWERS LUNCHEDED WITH AMBASSADOR AND DCM WHO BRIEFED HIM ON IRANIAN OIL POLICY AND GOI RATIONALE FOR ARMS PURCHASES, INCLUDING GOI'S PERCEPTION OF POTENTIAL THREATS. THEY ALSO DESCRIBED IN GENERAL TERMS IRAN'S DEVELOPMENT PROBLEMS, EXPLAINING THAT PRESENT CONSTRAINTS ON DEVELOPMENT ARE MANPOWER AND INFRASTRUCTURE (ESPECIALLY PORTS AND INTERNAL TRANSPORTATION) RATHER THAN AVAILABILITY OF FUNDS.

3. CBI ECONOMIC RESEARCH DEPARTMENT DIRECTOR MEHDI GHAREDAGHIPOUR, WHO HAS ATTENDED SEVERAL RECENT OPEC MEETINGS AND APRIL PRECON IN PARIS IS EXPERT IN INTERNATIONAL FINANCE, BRIEFLY DISCUSSED IRAN'S POLICIES IN OPEC AND IRAN'S BALANCE OF PAYMENTS POSITION WITH STAFFDEL. GHAREDAGHIPOUR WAS CAUTIOUS AND CONSTRAINED; CONVERSATION NEVER GOT FAR OFF GROUND. SUBSEQUENT MEETING WITH NPC MANAGING DIRECTOR BAGHER MOSTOFI WAS SPIRITED HOUR-LONG DISCUSSION OF IRAN'S OIL POLICY. MOSTOFI, IN TOP FORM, ARGUED THAT US COULD SOLVE ITS ENERGY PROBLEM IN SHORT TIME IF IT WOULD ONLY CREATE PROPER ECONOMIC ENVIROMENT FOR USE OF COAL INSTEAD OF OIL AND  
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GAS TO PRODUCE STEAM IN BOILERS. MOSTOFI DESCRIBED IN SOME DETAIL

HIS VISION OF A FUTURE IN WHICH IRAN WOULD MAKE UP LOSSES IN FOREIGN EXCHANGE REVENUES DUE DECLINING OIL PRODUCTION BY ADDING VALUE TO CRUDE OIL IN RAPIDLY EXPANDING PETROCHEMICAL SECTOR. MOSTOFI DEFENDED LARGE OIL COMPANIES, STATING THAT THEIR SUPPOSEDLY VAST PROFITS OF LAST YEAR WERE PRODUCED BY OPEC PRICE INCREASES AND WERE DUE PRIMARILY TO PROFITS ON LARGE INVENTORIES OF CRUDE OIL. HE NOTED THAT MOST OF THE CASH FROM SALE OF THESE INVENTORIES WAS IMMEDIATELY PUT OUT BY COMPANIES TO REPLACE INVENTORIES. HE SAID ANYONE WHO KNOWS ANYTHING ABOUT ENERGY REALIZES THAT OIL PRICE MUST BE HIGH ENOUGH TO STIMULATE DEVELOPMENT OF ALTERNATE SOURCES OF ENERGY. WHOLE ARGUMENT BETWEEN PRODUCERS AND CONSUMERS, HE CLAIMED, CONCERNS HOW CONSUMER AND PRODUCER GOVERNMENTS ARE TO DIVIDE THE TAX TAKE WHICH IS THE MAJOR PORTION OF THE RETAIL VALUE OF AN AVERAGE BARREL OF OIL PRODUCTS. HE SUGGESTED THAT IN 1974 PRODUCERS HAD ACHIEVED FAIR REVENUE PER BARREL AND WERE NOW ONLY INTERESTED IN PROTECTING PURCHASING POWER OF THESE EARNINGS.

4. IN MEETING WITH KHALEGIRAD OF MIN ECON/FIN AND FARDI OF PBO, STAFFDEL DISCUSSED IRAN'S FOREIGN LENDING AND INVESTMENT POLICIES AND PROBLEMS OF INTERNAL DEVELOPMENT. ON TUESDAY, STAFFDEL MADE A QUICK TRIP TO KHARG ISLAND WHERE IRANIAN OIL IS LOADED ON TANKERS. ON WEDNESDAY, AUGUST 6, AFTER EMBASSY/MILITARY BRIEFING WHICH CONCENTRATED ON MILIARY EQUIPMENT SALES AND ADVISORY AND ASSISTANCE PROGRAM, STAFFDEL DEPARTED ON SCHEDULE FOR TEL AVIV.  
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